

BLANK PAGE



SECTION A
Answer ALL of the questions in this section.

*(You are advised to spend approximately 50 minutes on this section.
You are also advised to make use of the data provided in your answers.)*

1. (a) Identify the four factors of production.

_____ (2)

(b) Explain what is meant by:

(i) the rate of interest,

_____ (2)

(ii) profit.

_____ (2)

(Total 6 marks)

Q1



2. Spain is the world's largest producer of olive oil. In 2005 production of olive oil fell due to Spain's worst drought since records began.

(a) Draw a demand and supply diagram to show:

(i) the equilibrium price and quantity before the drought, (3)

(ii) the equilibrium price and quantity after the drought. (2)

(b) (i) Define price elasticity of demand.

_____ (2)

(ii) Explain what will happen to the revenue of olive oil farmers after the drought if the demand for olive oil is price inelastic.

_____ (3)

(Total 10 marks)

Q2



3. The following table shows the change in the exchange rate between the US\$ and the Icelandic Krona 2004–2005.

	2004	2005
Icelandic Krona	US\$1=70	US\$1=63

(a) Which currency, US\$ or Icelandic Krona, has depreciated in value?

(1)

(b) An importer in Iceland bought an American car for US\$10000. How much would this cost in Icelandic Krona in:

(i) 2004,

(1)

(ii) 2005?

(1)

(c) Briefly explain **two** possible effects the change in the exchange rate between 2004 and 2005 may have on the balance of payments of Iceland.

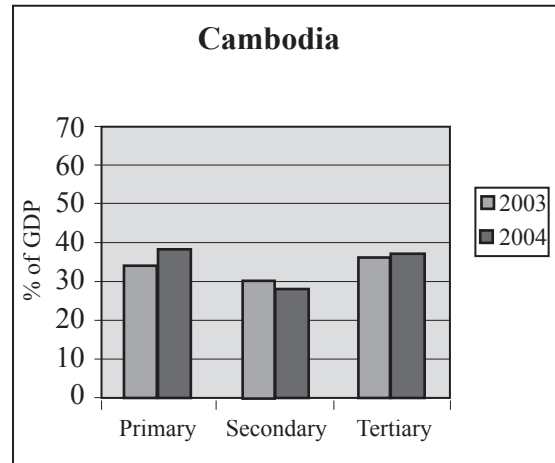
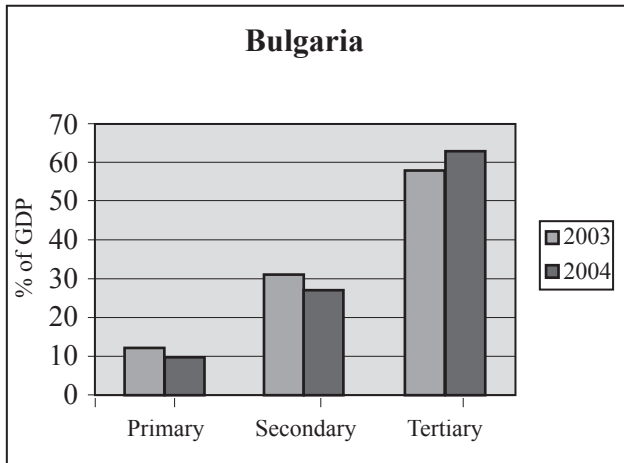
(4)

(Total 7 marks)

Q3



4. The graphs below show the % Gross Domestic Product (GDP) of the three sectors of the Bulgarian and Cambodian economies.



(a) What is meant by Gross Domestic Product?

(2)

(b) With the aid of an example, define:

(i) primary sector,

(2)

(ii) tertiary sector.

(2)



Leave blank

(c) Which sector experienced the greatest growth in:

(i) Bulgaria,

_____ (1)

(ii) Cambodia?

_____ (1)

(d) Using the data above, identify which country, Bulgaria or Cambodia, can be considered to be a developed country. Give **one** reason for your answer.

_____ (3)

(Total 11 marks)

Q4



5. With the aid of examples, explain the following terms:

(a) (i) visible trade,

(2)

(ii) invisible trade.

(2)

(b) How is the balance of trade calculated?

(2)

Q5

(Total 6 marks)

TOTAL FOR SECTION A: 40 MARKS



BLANK PAGE
TURN OVER FOR SECTION B



BLANK PAGE

